

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Richmond Township</u>	County <u>Marquette</u>
Audit Date <u>3/31/05</u>	Opinion Date <u>10/15/05</u>	Date Accountant Report Submitted to State: <u>1-3-06</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>Anderson, Tackman &amp; Co, PC</u>			
Street Address <u>102 W. Washington St., Suite 109</u>	City <u>Marquette</u>	State <u>Mi</u>	ZIP <u>49855</u>
Accountant Signature <u>Michael A. S. CPA</u>			

**TOWNSHIP OF RICHMOND, MICHIGAN**

**FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2005**

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of  
the Township Board of Trustees  
Township of Richmond, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and remaining fund information, of the Township of Richmond, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township of Richmond, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Richmond, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the Township of Richmond, Michigan at March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2005 on our consideration of the Township of Richmond, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Supervisor and Members of the Township Board of Trustees  
Township of Richmond, Michigan

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 9 and 31 and 32 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Richmond, Michigan's basic financial statements. The combining and non-major fund statements and schedules as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Township of Richmond, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckman & Company, PLLC*  
Certified Public Accountants

October 14, 2005

## Township of Richmond, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Richmond's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements, which begin on page 10.

#### FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole decreased by \$ 22,348 as a result of this year's operations. Net assets of our governmental activities decreased by \$16,842 or 2 percent, and net assets of our business-type activities decreased by \$5,506, or 6 percent.
- During the year, the Township had expenses for governmental activities that were \$551,830 and expenses for business type activities that were \$135,763.
- The General Fund reported a net fund balance of \$908,283. Net change in fund balance was \$89,170 higher than the forecasted decrease of \$23,029.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the Township as a Whole**

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Water and Wastewater Treatment Fund is reported here.

### Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 8. The fund financial statements begin on page 16 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 19. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2005 and 2004.

Table 1 Net Assets						
	2005			2004		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$ 929,642	\$(86,350)	\$843,292	\$890,382	\$(114,132)	\$776,250
Capital assets, net	185,575	169,463	355,038	249,900	202,751	452,651
Total Assets	1,115,217	83,113	1,198,330	1,140,282	88,619	1,228,901
Current liabilities	9,085	-	9,085	14,347	-	14,347
Non-current liabilities	20,186	-	20,186	23,147	-	23,147
Total Liabilities	29,271	-	29,271	37,494	-	37,494
Net Assets:						
Invested in capital assets, net of related debt	172,211	169,463	341,674	249,900	202,751	452,651
Restricted	-	-	-	-	-	-
Unrestricted (deficit)	913,735	(86,350)	827,385	852,888	(114,132)	738,756
Total Net Assets	\$1,085,946	\$83,113	\$1,169,059	\$1,102,788	\$88,619	\$1,191,407

Net assets of the Township's governmental activities stood at \$1,085,946. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$913,735.

The \$913,735 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$83,113. The Township can generally only use these net assets to finance continuing operations of the Water System and Sewer System operations.

Table 2 Statement of Activities						
	2005			2004		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 2,533	\$128,255	\$130,788	\$34,593	\$133,704	\$168,297
Operating Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	373,592	-	373,592	330,210	-	330,210
State Sources	86,062	-	86,062	101,959	-	101,959
Interest and Miscellaneous	72,801	2,002	74,803	31,501	2,413	33,914
Total Revenues	534,988	130,257	665,245	498,263	136,117	634,380



# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2  
Statement of Activities

	2005			2004		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Program Expenses:</b>						
Legislative	\$2,613	\$-	\$2,613	\$2,954	\$-	\$2,954
Elections	2,437	-	2,437	-	-	-
General Services and Administration	127,841	-	127,841	128,217	-	128,217
Public Safety	92,944	-	92,944	85,112	-	85,112
Public Works	115,477	-	115,477	114,501	-	114,501
Community & Economic Development	-	-	-	-	-	-
Recreation and Culture	28,650	-	28,650	26,849	-	26,849
Other	180,868	-	180,868	188,269	-	188,269
Debt Service	-	-	-	1,166	-	1,166
Capital Outlay	-	-	-	11,756	-	11,756
Water Fund	-	36,156	36,156	-	164,821	164,821
Wastewater Fund	-	99,607	99,607	-	-	-
Total Expenses	551,830	135,763	687,593	558,824	164,821	723,645
Excess (deficiency) before transfers	(16,842)	(5,506)	(22,348)	(60,561)	(28,704)	(89,265)
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	(16,842)	(5,506)	(22,348)	(60,561)	(28,704)	(89,265)
Net assets, beginning	1,102,788	88,619	1,191,407	1,163,349	117,323	1,280,672
Net Assets, Ending	\$1,085,946	\$83,113	\$1,169,059	\$1,102,788	\$88,619	\$1,191,407

The Township's total revenues were \$665,245. The total cost of all programs and services was \$687,593, leaving a decrease in net assets of \$22,348. Our analysis below separately considers the operations of governmental and business-type activities:

## Governmental Activities

The net assets of the Township's governmental activities decreased \$16,842 for the year ended March 31, 2005.

Specific Ore Tax increased. The tax is based on the amount of ore mined and that increase in the current year.

## Business-type Activities

During the year ended March 31, 2005, the net assets of the Township's business type activities decreased by \$5,506.

Sewer fund rates do not cover the operating costs and in addition the Township split the Water and Sewer System into two separate funds. The Township Board has raised the rates to cover the costs.

## THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$922,784 an increase of \$44,698 from the beginning of the year.

## General Fund Budgetary Highlights

Over the course of the year, the Township Board did not revise the budget.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The reason for not amending the budget was at the end of the year we did not feel it was necessary. However, after year-end we received several accounts payable that put us over budget.

Revenues were \$99,922 greater than our budget.

The Township received more money than was anticipated.

Expenditures were \$10,7652 more than the final amended budget.

CCI approved the house washing contract for the year after the budget was prepared. This increased both the revenue and expense.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2005 and 2004, the Township had \$355,038 and \$452,651 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

	Table 3 Capital Assets					
	2005			2004		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Land	\$11,150	\$-	\$11,150	\$11,150	\$-	\$11,150
Land improvements	-	-	-	-	-	-
Buildings and improvements & Utility Plants	155,825	169,463	325,288	182,850	202,751	385,601
Equipment and furnishings	18,600	-	18,600	55,900	-	55,900
	<u>\$185,575</u>	<u>\$169,463</u>	<u>\$355,038</u>	<u>\$249,900</u>	<u>\$202,751</u>	<u>\$452,651</u>

#### Debt

At year-end, the Township had debt of \$13,364 in the General Fund. Refer to the footnotes for detail breakout and explanation of the Township Long-Term Debt.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budgets for year ending 2006 The Board uses an average of the last five years income and expenses as a starting point and adjusts items that we know are going to increase or decrease. We also consider any capital expenditures or main repairs that need to be made.

### CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of Richmond, P.O. Box 35., Palmer, Michigan 49871.

Richmond Township, Michigan

STATEMENT OF NET ASSETS

March 31, 2005

		Primary Government	
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 547,347	\$ 250,327	\$ 797,674
Internal balances	349,308	(349,308)	-
Receivables (net)	32,987	12,631	45,618
Other current assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>929,642</b>	<b>(86,350)</b>	<b>843,292</b>
Non-current assets:			
Land and construction in progress	-	-	-
Other capital assets	1,705,800	763,728	2,469,528
Accumulated depreciation	(1,520,225)	(594,265)	(2,114,490)
Total Capital Assets	185,575	169,463	355,038
<b>TOTAL NON-CURRENT ASSETS</b>	<b>185,575</b>	<b>169,463</b>	<b>355,038</b>
<b>TOTAL ASSETS</b>	<b>1,115,217</b>	<b>83,113</b>	<b>1,198,330</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	-	-	-
Accrued liabilities	6,858	-	6,858
Deferred revenue	-	-	-
Current portion of bonds payable	2,227	-	2,227
Other current liabilities	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,085</b>	<b>-</b>	<b>9,085</b>
Non-current Liabilities:			
Compensated absences	9,049	-	9,049
Bonds payable	11,137	-	11,137
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>20,186</b>	<b>-</b>	<b>20,186</b>
<b>TOTAL LIABILITIES</b>	<b>29,271</b>	<b>-</b>	<b>29,271</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	172,211	169,463	341,674
Restricted for:			
Debt Service	-	-	-
Unrestricted	913,735	(86,350)	827,385
<b>TOTAL NET ASSETS</b>	<b>\$ 1,085,946</b>	<b>\$ 83,113</b>	<b>\$ 1,169,059</b>

The accompanying notes are an integral part of these financial statements.



**Richmond Township, Michigan**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

March 31, 2005

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 446,493	\$ 100,854	\$ 547,347
Receivables	29,117	537	29,654
Other current assets	-	-	-
Due from other funds	439,531	-	439,531
Fixed assets	-	-	-
Accumulated depreciation	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 915,141</b>	<b>\$ 101,391</b>	<b>\$ 1,016,532</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	86,890	86,890
Accrued payroll and related	6,858	-	6,858
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>6,858</b>	<b>86,890</b>	<b>93,748</b>
<b>FUND BALANCE:</b>			
Unreserved, reported in:			
General Fund	908,283	-	908,283
Fire Fund	-	14,501	14,501
<b>TOTAL FUND BALANCE</b>	<b>908,283</b>	<b>14,501</b>	<b>922,784</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 915,141</b>	<b>\$ 101,391</b>	<b>\$ 1,016,532</b>

The accompanying notes are an integral part of these financial statements.

**Richmond Township, Michigan**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

March 31, 2005

**Total Fund Balances for Governmental Funds** **\$ 922,784**

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds

Cost of Capital Assets (General Fixed Asset Account Group)	\$ 1,705,800	
Accumulated Deprecation of Assets (General Fixed Asset Account Group)	<u>(1,520,225)</u>	<u>185,575</u>

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	2,227	
Compensated absences	9,049	
Bonds payable	<u>11,137</u>	<u>(22,413)</u>

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 1,085,946</u></u>
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The accompanying notes are an integral part of these financial statements.

**Richmond Township, Michigan**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended March 31, 2005

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Taxes	\$ 339,831	\$ 33,761	\$ 373,592
Licenses and permits	2,533	-	2,533
State sources	86,062	-	86,062
Charges for services	-	-	-
Interest	16,116	765	16,881
Other	54,410	1,510	55,920
<b>TOTAL REVENUES</b>	<b>498,952</b>	<b>36,036</b>	<b>534,988</b>
<b>EXPENDITURES:</b>			
Current operations:			
Legislative	2,613	-	2,613
Elections	2,437	-	2,437
General services and administration	127,841	-	127,841
Public safety	35,465	57,479	92,944
Public works	117,529	-	117,529
Recreation and culture	28,650	-	28,650
Other	118,276	-	118,276
Debt Service	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>432,811</b>	<b>57,479</b>	<b>490,290</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>66,141</b>	<b>(21,443)</b>	<b>44,698</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>66,141</b>	<b>(21,443)</b>	<b>44,698</b>
Fund balance, beginning of year	842,142	35,944	878,086
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 908,283</b>	<b>\$ 14,501</b>	<b>\$ 922,784</b>

The accompanying notes are an integral part of these financial statements.

**Richmond Township, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>44,698</b>
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	-	
Depreciation expense		<u>(64,325)</u>	(64,325)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

2,052

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

733

Internal Service Funds are used by management to administer the activities of the Motor Vehicle and Equipment Fund. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets, net of capital assets.

-

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(16,842)</u></b>
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The accompanying notes are an integral part of these financial statements.



Richmond Township, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2005

	Business - Type Activities Enterprise Funds Water System Fund	Business - Type Activities Enterprise Funds Wastewater System Fund	Business - Type Activities Enterprise Funds Total
<b>ASSETS:</b>			
Current Assets:			
Cash and investments	\$ 247,523	\$ 2,804	\$ 250,327
Accounts receivable, net	5,510	7,121	12,631
Due from other funds	-	50,000	50,000
<b>TOTAL CURRENT ASSETS</b>	<b>253,033</b>	<b>59,925</b>	<b>312,958</b>
Non-current Assets:			
Capital assets	97,973	665,755	763,728
Accumulated depreciation	(97,973)	(496,292)	(594,265)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>169,463</b>	<b>169,463</b>
<b>TOTAL ASSETS</b>	<b>253,033</b>	<b>229,388</b>	<b>482,421</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Water deposits payable	-	-	-
Due to other funds	178,586	220,722	399,308
Accrued interest payable	-	-	-
Current portion of long-term debt	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>178,586</b>	<b>220,722</b>	<b>399,308</b>
Non-current Liabilities:			
Bond payable	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>178,586</b>	<b>220,722</b>	<b>399,308</b>
<b>NET ASSETS:</b>			
Invested in capital assets net of related debt	-	169,463	169,463
Unrestricted	74,447	(160,797)	(86,350)
<b>TOTAL NET ASSETS</b>	<b>\$ 74,447</b>	<b>\$ 8,666</b>	<b>\$ 83,113</b>

The accompanying notes are an integral part of these financial statements.

**Richmond Township, Michigan**

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended March 31, 2005

	<b>Business - Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water System Fund</b>	<b>Wastewater System Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Charges for services (net)	\$ 70,020	\$ 58,235	\$ 128,255
Other operating revenue	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>70,020</b>	<b>58,235</b>	<b>128,255</b>
<b>OPERATING EXPENSES:</b>			
Operating expenses	36,156	66,319	102,475
Depreciation	-	33,288	33,288
<b>TOTAL OPERATING EXPENSES</b>	<b>36,156</b>	<b>99,607</b>	<b>135,763</b>
<b>OPERATING INCOME (LOSS)</b>	<b>33,864</b>	<b>(41,372)</b>	<b>(7,508)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Investment income	1,964	38	2,002
Interest expense	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>1,964</b>	<b>38</b>	<b>2,002</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>35,828</b>	<b>(41,334)</b>	<b>(5,506)</b>
<b>TRANSFERS IN/(OUT)</b>	<b>(50,000)</b>	<b>50,000</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(14,172)</b>	<b>8,666</b>	<b>(5,506)</b>
Net assets, beginning of year	88,619	-	88,619
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 74,447</b>	<b>\$ 8,666</b>	<b>\$ 83,113</b>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended March 31, 2005

	Water System Fund	Business - Type Activities Enterprise Funds Wastewater System Total	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from fees and charges for services	\$ 70,745	\$ 51,114	\$ 121,859
Other operating revenues	-	-	-
Cash payments to employees for services	(3,131)	(5,400)	(8,531)
Cash payments to suppliers for goods and services	(191,007)	109,803	(81,204)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(123,393)</b>	<b>155,517</b>	<b>32,124</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Cash payments for capital assets	202,751	(202,751)	-
Transfer in / (out) of other funds	(50,000)	50,000	-
Interest payments	-	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>152,751</b>	<b>(152,751)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	1,964	38	2,002
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,964</b>	<b>38</b>	<b>2,002</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>31,322</b>	<b>2,804</b>	<b>34,126</b>
Cash and cash equivalents, beginning of year	216,201	-	216,201
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 247,523</b>	<b>\$ 2,804</b>	<b>\$ 250,327</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 33,864	\$ (41,372)	\$ (7,508)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	33,288	33,288
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	725	(7,121)	(6,396)
(Increase) decrease in other current assets	-	-	-
Increase (decrease) in due to other funds	(157,982)	170,722	12,740
Increase (decrease) in accrued interest	-	-	-
<b>NET ADJUSTMENTS</b>	<b>(157,257)</b>	<b>196,889</b>	<b>39,632</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (123,393)</b>	<b>\$ 155,517</b>	<b>\$ 32,124</b>

The accompanying notes are an integral part of these financial statements.

**Richmond Township, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF NET ASSETS**

March 31, 2005

	<b>Tax Collection Fund</b>
<b>ASSETS:</b>	
Cash and investments	<u>\$ 3,333</u>
<b>TOTAL ASSETS</b>	<u><u>3,333</u></u>
<b>LIABILITIES:</b>	
Due to other funds	<u>3,333</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 3,333</u></u>

# TOWNSHIP OF RICHMOND, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

March 31, 2005

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

#### **(1) REPORTING ENTITY**

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

#### **(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### (3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

#### ***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

#### ***Proprietary Funds***

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

#### ***Fiduciary Funds***

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Fire Fund** accounts for the activity related to the Fire Department.

The Township reports the following major proprietary funds:

- The **Water System Fund** accounts for the management of water and wastewater treatment services, including billing, maintenance and construction.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

### **(4) BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### ***Accrual***

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

#### ***Modified Accrual***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

## **FINANCIAL STATEMENT AMOUNTS**

**Budgets and Budgetary Accounting** – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
  - 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
  - 2. The following considerations must be reviewed in determination of transfer approvals.
    - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
    - b. Will the transfer maintain the financial integrity of the Township?
    - c. Will the transfer provide a reasonable solution to the departmental operating problem?Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.
- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.



## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

**Cash Equivalents and Investments** - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

**Long-Term Liabilities:** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**Property Taxes** – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**Deferred Revenues** – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

**Interfund Activity** – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

## NOTE B – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

As of March 31, 2005, the Township's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and equivalents	\$547,347	\$ 250,327	\$ 3,333	\$ 801,007
Investments	-	-	-	-
	<u>\$ 547,347</u>	<u>\$ 250,327</u>	<u>\$3,333</u>	<u>\$ 801,007</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. As of March 31, 2005, \$ 127,501 of the Township's bank balance of \$ 825,706 was exposed to custodial credit risk as being uninsured and uncollateralized.

## NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables are related to un-reimbursed expenditures at year and long-term note between the General Fund and Wastewater Fund for a construction project in 1989:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	\$3,333	Fiduciary Fund	\$3,333
General Fund	86,890	Fire Fund	86,890
General Fund	349,308	Water	128,586
		Wastewater	220,722
Wastewater	50,000	Water	50,000
TOTAL	<u>\$ 489,531</u>	TOTAL	<u>\$ 489,531</u>

**NOTE D – CAPITAL ASSETS:**

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
<b>GOVERNMENTAL ACTIVITIES:</b>				
Land	\$ 11,150	\$ -	\$ -	\$ 11,150
Total Capital Assets, not being depreciated	\$ 11,150	\$ -	\$ -	\$ 11,150
Buildings and improvements	1,081,000	-	-	1,081,000
Furniture and equipment	613,650	-	-	613,650
Total Capital Assets, being depreciated	1,694,650	-	-	1,694,650
Less Accumulated Depreciation:				
Buildings and improvements	(898,150)	(27,025)	-	(925,175)
Furniture and equipment	(557,750)	(37,300)	-	(595,050)
Total Accumulated Depreciation	(1,455,900)	(64,325)	-	(1,520,225)
Governmental Activities Capital Assets, Net	\$ 249,900	\$(64,325)	\$ -	\$ 185,575

Depreciation expenses for the governmental activities was charged to the following functions and activities of the primary government:

Public Works \$ 64,325

A summary of changes in business-type activities capital assets is as follows:

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Investment in Treatment Facility	763,728	-	-	763,728
Buildings and improvements	-	-	-	-
Equipment	-	-	-	-
Total Capital Assets, being depreciated	763,728	-	-	763,728
Less Total Accumulated Depreciation	(560,977)	(33,288)	-	(594,265)
Business Type Activities Capital Assets, Net	\$ 202,751	\$ (33,288)	\$ -	\$ 169,463

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:  
Wastewater System \$33,288

**NOTE E – LONG-TERM DEBT:**

**SCHEDULE OF MARQUETTE COUNTY SOLID WASTE MANAGEMENT BONDS**  
March 31, 2005

	November 1	May 1		
	Interest	Interest	Principal	Total
2006	\$407	\$467	\$2,227	\$3,101
2007	281	404	2,462	3,147
2008	212	280	2,638	3,130
2009	79	211	2,872	3,162
2010	-	79	3,165	3,244
TOTALS	\$ 979	\$1,441	\$13,364	\$15,784

#### NOTE E – LONG-TERM DEBT (Continued):

The Township of Richmond is obligated to reimburse Marquette County Solid Waste Management Authority a proportional share of the debt service costs associated with bonds issued to construct the Solid Waste Disposal System located in Marquette County. A schedule of the Township's required payments is as follows:

	<u>April 1, 2004</u>	<u>Additions</u>	<u>Subtractions</u>	<u>March 31, 2005</u>
<b>Governmental Activities:</b>				
Landfill Bond	<u>\$15,416</u>	<u>\$ -</u>	<u>\$2,052</u>	<u>\$13,364</u>
Total Governmental Activities	<u>\$15,416</u>	<u>\$ -</u>	<u>\$2,052</u>	<u>\$13,364</u>

#### NOTE F – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31<sup>st</sup>.

Although the Local Governmental Unit 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.)

The 2004 taxable valuation of the Local Governmental Unit totaled \$12,568,730, on which ad valorem taxes levied consisted of 4.7534 mills for the Local Governmental Unit operation purposes .5mills for Fire Department Services. These amounts are recognized in the respective fund financial statements as revenue.

#### NOTE G – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

#### NOTE H – PENSION TRUST FUND:

The Township has a pension plan for its all full time employees. This plan is a defined contribution pension plan for Michigan Township Employees. Each employee shall be eligible to participate in the Plan upon attaining age 18 and not more than age 75. There is no minimum service requirement. The Township contributes 10% of the employee's annual salary to the Plan. The total contribution for the year ended March 31, 2005 was \$8,286.

#### Marquette County Solid Waste Management Authority

In February 1990, the Township of Richmond joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structure, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

**NOTE H – PENSION TRUST FUND (Continued):**

The Authority is governed by a Board of Trustees consisting of one(1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three(3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity is 10.16 percent. Summary financial information as of and for the fiscal year ended June 30, 2004 is as follows:

Total Assets	\$12,216,894
Total Liabilities	2,302,341
Total Net Assets	9,914,553
Total Operating Revenues	2,557,446
Total Operating Expenses	1,841,275
Total Joint Venture's Outstanding Debt	1,315,000

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

**NOTE I – VESTED EMPLOYEE BENEFITS:**

Employees can earn sick leave and vacation at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation and sick days accumulated at their current rate of pay.

	<u>Accrued Sick and Vacation</u>
Primary Government:	
Current portion	\$ -
Long-term portion	9,049
<b>TOTAL</b>	<u><b>\$9,049</b></u>

**NOTE J – BUDGET VIOLATIONS:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a Township shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

The following activity and/or programs had excess expenditures over appropriations at March 31, 2005:

<u>Activity/Program</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Treasurer	\$8,859	\$10,212	\$1,353
Ambulance	26,000	29,593	3,593
Maintenance Department	44,000	56,067	12,067

**NOTE J – BUDGET VIOLATIONS (Continued):**

<u>Activity/Program</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Landfill	\$-	\$18,597	\$18,597
Street lighting	11,000	13,156	2,156
Library	21,700	21,820	120
Other Functions	90,000	118,276	28,276

**NOTE K – LETTER OF CREDIT:**

The Township has a \$40,000 Letter of Credit with the bank from October 1, 2001 to September 30, 2007 based on two CD's with the bank restricted for use of post closure landfill costs. The balance on this Letter of Credit is -0-.

## REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

**Richmond Township, Michigan**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended March 31, 2005

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Taxes	\$ 286,900	\$ 286,900	\$ 339,831	\$ 52,931
State Sources	82,300	82,300	86,062	3,762
Fees, Permits & Licenses	780	780	2,533	1,753
Interest	17,000	17,000	16,116	(884)
Other Revenues	12,050	12,050	54,410	42,360
<b>TOTAL REVENUES</b>	<b>399,030</b>	<b>399,030</b>	<b>498,952</b>	<b>99,922</b>
<b>EXPENDITURES:</b>				
Legislative	3,100	3,100	2,613	487
Elections	2,700	2,700	2,437	263
General Services and Administration	130,559	130,559	127,841	2,718
Public Safety	36,000	36,000	35,465	535
Public Works	105,000	105,000	117,529	(12,529)
Recreation and Culture	34,700	34,700	28,650	6,050
Other	90,000	90,000	118,276	(28,276)
Debt service	-	-	-	-
Capital Outlay	20,000	20,000	-	20,000
<b>TOTAL EXPENDITURES</b>	<b>422,059</b>	<b>422,059</b>	<b>432,811</b>	<b>(10,752)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(23,029)</b>	<b>(23,029)</b>	<b>66,141</b>	<b>89,170</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(23,029)</b>	<b>(23,029)</b>	<b>66,141</b>	<b>89,170</b>
Fund balance, beginning of year, as restated	842,142	842,142	842,142	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 819,113</b>	<b>\$ 819,113</b>	<b>\$ 908,283</b>	<b>\$ 89,170</b>



**Richmond Township, Michigan**

**FIRE FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended March 31, 2005

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Taxes	\$ 74,500	\$ 74,500	\$ 33,761	\$ (40,739)
Interest	2,000	2,000	765	(1,235)
Other Revenue	-	-	1,510	1,510
<b>TOTAL REVENUES</b>	<b>76,500</b>	<b>76,500</b>	<b>36,036</b>	<b>(40,464)</b>
<b>EXPENDITURES:</b>				
Public Safety	59,580	59,580	57,479	2,101
Capital Outlay	120,000	120,000	-	120,000
<b>TOTAL EXPENDITURES</b>	<b>179,580</b>	<b>179,580</b>	<b>57,479</b>	<b>122,101</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(103,080)</b>	<b>(103,080)</b>	<b>(21,443)</b>	<b>81,637</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(103,080)</b>	<b>(103,080)</b>	<b>(21,443)</b>	<b>81,637</b>
Fund balance, beginning of year	35,944	35,944	35,944	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (67,136)</b>	<b>\$ (67,136)</b>	<b>\$ 14,501</b>	<b>\$ 81,637</b>

## Other Supplemental Information

**Richmond Township, Michigan**

**MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 40,500	\$ 54,630	\$ 14,130
Specific ore	240,000	260,212	20,212
Delinquent property tax	2,800	5,428	2,628
Commercial forest	1,700	1,043	(657)
Collection fees	-	18,518	18,518
Other	1,900	-	(1,900)
Total Taxes	286,900	339,831	52,931
State Sources:			
State revenue sharing	79,000	79,772	772
Metro act	-	2,936	2,936
Swampland tax	3,300	3,354	54
Total State Sources	82,300	86,062	3,762
Fees, Permits & Licenses:			
Animal license	280	108	(172)
Zoning Fees	-	190	190
Ambulance fees	500	2,235	1,735
Total Fees, Permits & Licenses	780	2,533	1,753
Interest & Rentals:			
Rental income	2,000	3,520	1,520
Interest income	15,000	12,596	(2,404)
Total Interest	17,000	16,116	(884)
Other Revenues:			
Senior citizens meals	-	-	-
Library income	5,800	4,763	(1,037)
Landfill fee reimbursement	250	-	(250)
Miscellaneous other	6,000	49,647	43,647
Total Other Revenues	12,050	54,410	42,360
<b>TOTAL REVENUES</b>	<b>399,030</b>	<b>498,952</b>	<b>99,922</b>
<b>EXPENDITURES:</b>			
LEGISLATIVE:			
Township Board:			
Personnel services	3,100	2,613	487
Supplies	-	-	-
Other services and charges	-	-	-
<b>TOTAL LEGISLATIVE</b>	<b>3,100</b>	<b>2,613</b>	<b>487</b>

**Richmond Township, Michigan**

**MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>ELECTIONS:</b>			
Personnel services	\$ 2,700	\$ 1,243	\$ 1,457
Supplies	-	1,194	(1,194)
Other services and charges	-	-	-
<b>TOTAL ELECTIONS</b>	<u>2,700</u>	<u>2,437</u>	<u>263</u>
<b>GENERAL SERVICES AND ADMINISTRATION:</b>			
Supervisor:			
Personnel services	7,200	6,563	637
Supplies	-	-	-
Other services and charges	-	-	-
<b>Total Supervisor</b>	<u>7,200</u>	<u>6,563</u>	<u>637</u>
Clerk:			
Personnel services	6,400	5,832	568
Supplies	-	-	-
Other services and charges	-	-	-
<b>Total Clerk</b>	<u>6,400</u>	<u>5,832</u>	<u>568</u>
Treasurer:			
Personnel services	7,559	7,059	500
Supplies	1,300	3,153	(1,853)
Other services and charges	-	-	-
<b>Total Treasurer</b>	<u>8,859</u>	<u>10,212</u>	<u>(1,353)</u>
Other:			
Office	41,000	39,651	1,349
Board of review	1,000	1,056	(56)
Custodian	17,400	18,072	(672)
Assessors	10,000	8,315	1,685
<b>Total Other</b>	<u>69,400</u>	<u>67,094</u>	<u>2,306</u>
Township Hall and Grounds:			
Personnel services	-	-	-
Supplies	4,000	6,497	(2,497)
Other services and charges	34,700	31,643	3,057
<b>Total Township Hall and Grounds</b>	<u>38,700</u>	<u>38,140</u>	<u>560</u>
<b>TOTAL GENERAL SERVICES AND ADMINISTRATION</b>	<u>130,559</u>	<u>127,841</u>	<u>2,718</u>

**Richmond Township, Michigan**

**MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public Safety:</b>			
Police:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	-	-	-
Total Police	<u>-</u>	<u>-</u>	<u>-</u>
 Ambulance:			
Personnel services	16,000	16,388	(388)
Supplies	5,000	7,943	(2,943)
Other services and charges	5,000	5,262	(262)
Total Ambulance	<u>26,000</u>	<u>29,593</u>	<u>(3,593)</u>
 Zoning Board:			
Personnel services	10,000	5,872	4,128
Supplies	-	-	-
Other services and charges	-	-	-
Total Zoning Board	<u>10,000</u>	<u>5,872</u>	<u>4,128</u>
 TOTAL PUBLIC SAFETY	<u>36,000</u>	<u>35,465</u>	<u>535</u>
 <b>PUBLIC WORKS:</b>			
Maintenance Department:			
Personnel services	31,000	33,433	(2,433)
Supplies	10,000	4,684	5,316
Other services and charges	3,000	17,950	(14,950)
Total Maintenance Department	<u>44,000</u>	<u>56,067</u>	<u>(12,067)</u>
 Garbage Collection:			
Personnel services	24,000	24,021	(21)
Supplies	5,000	-	5,000
Other services and charges	21,000	5,688	15,312
Total Garbage Collection	<u>50,000</u>	<u>29,709</u>	<u>20,291</u>
 Landfill:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	18,597	(18,597)
Total Landfill	<u>-</u>	<u>18,597</u>	<u>(18,597)</u>

**Richmond Township, Michigan**

**MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Street Lighting:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	11,000	13,156	(2,156)
Total Street Lighting	<u>11,000</u>	<u>13,156</u>	<u>(2,156)</u>
TOTAL PUBLIC WORKS	<u>105,000</u>	<u>117,529</u>	<u>(12,529)</u>
Recreation and Culture:			
Recreation:			
Personnel services	7,000	3,505	3,495
Supplies	6,000	3,325	2,675
Other services and charges	-	-	-
Total Recreation	<u>13,000</u>	<u>6,830</u>	<u>6,170</u>
Library:			
Personnel services	10,800	10,848	(48)
Supplies	10,000	10,352	(352)
Other services and charges	900	620	280
Total Library	<u>21,700</u>	<u>21,820</u>	<u>(120)</u>
TOTAL RECREATION AND CULTURE	<u>34,700</u>	<u>28,650</u>	<u>6,050</u>
OTHER FUNCTIONS:			
Payroll taxes	17,000	18,120	(1,120)
Insurance and bonds	56,000	52,755	3,245
Retirement and pensions	6,000	11,094	(5,094)
Professional services	9,000	2,935	6,065
Miscellaneous	2,000	33,372	(31,372)
TOTAL OTHER FUNCTIONS	<u>90,000</u>	<u>118,276</u>	<u>(28,276)</u>
DEBT SERVICE:			
Debt - Principal	-	-	-
Debt - Interest	-	-	-
TOTAL DEBT SERVICE	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay:			
General Government	20,000	-	20,000
Public Works	-	-	-
TOTAL CAPITAL OUTLAY	<u>20,000</u>	<u>-</u>	<u>20,000</u>
TOTAL EXPENDITURES	<u>\$ 422,059</u>	<u>\$ 432,811</u>	<u>\$ (10,752)</u>

**Richmond Township, Michigan**

**MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (23,029)</u>	<u>\$ 66,141</u>	<u>\$ 89,170</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers (Out)	-	-	-
Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	(23,029)	66,141	89,170
Fund balance, beginning of year	<u>842,142</u>	<u>842,142</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 819,113</u></u>	<u><u>\$ 908,283</u></u>	<u><u>\$ 89,170</u></u>

**Richmond Township, Michigan**

**MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
FIRE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Taxes:			
Current property tax	\$ 10,000	\$ 5,744	\$ (4,256)
Specific ore tax	32,000	27,370	(4,630)
Commercial forest reverse tax	32,000	110	(31,890)
Delinquent property tax	500	537	37
Total State Revenue	<u>74,500</u>	<u>33,761</u>	<u>(40,739)</u>
Interest:			
Interest income - investments	2,000	765	(1,235)
Total Interest	<u>2,000</u>	<u>765</u>	<u>(1,235)</u>
Other Revenue:			
Other Revenue	-	1,510	1,510
Total Other Revenue	<u>-</u>	<u>1,510</u>	<u>1,510</u>
<b>TOTAL REVENUES</b>	<u>76,500</u>	<u>36,036</u>	<u>(40,464)</u>
<b>EXPENDITURES:</b>			
Public Safety:			
Personnel services	17,500	14,828	2,672
Supplies	15,000	21,239	(6,239)
Other services and charges	27,080	21,412	5,668
Total Public Works	<u>59,580</u>	<u>57,479</u>	<u>2,101</u>
Capital Outlay:			
Capital Outlay	120,000	-	120,000
Total Capital Outlay	<u>120,000</u>	<u>-</u>	<u>120,000</u>
<b>TOTAL EXPENDITURES</b>	<u>179,580</u>	<u>57,479</u>	<u>122,101</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(103,080)</u>	<u>(21,443)</u>	<u>81,637</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(103,080)</u>	<u>(21,443)</u>	<u>81,637</u>
Fund balance, beginning of year	35,944	35,944	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ (67,136)</u>	<u>\$ 14,501</u>	<u>\$ 81,637</u>



## Compliance Supplements



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees  
Township of Richmond, Michigan

We have audited the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements of the Township of Richmond, Michigan as of and for the year ended March 31, 2005, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to Management dated October 14, 2005.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Richmond's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 14, 2005



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

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ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### *Township of Richmond, Michigan Report to Management Letter For the Year Ended March 31, 2005*

To the Honorable Supervisor and Members of  
The Township Board  
Township of Richmond, Michigan  
Palmer, MI 49871

In planning and performing our audit of the financial statements of the Township of Richmond for the year ended *March 31, 2005*, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### **INSTANCES OF NON-COMPLIANCE**

##### **Uniform Budgeting and Accounting Act (P.A. 621)**

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available un-appropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

To the Honorable Supervisor and Members of  
The Township Board  
Township of Richmond, Michigan

The Village was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnotes.

\* \* \* \* \*

This report is intended solely for the information and use of the Township's management, and others within the Township Administration.

We appreciate and would like to thank the Township's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 14, 2005